

Employer's Monthly Federal Tax Return

OMB No. 1545-0718

Return for (enter month and year) ▶

Name, address, ZIP code, and employer identification number

For IRS Use Only	
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If not correct, please change.

1	For March Only: Number of employees (except household) employed in the pay period that includes March 12th ▶	1	
2	Total wages and tips, plus other employee compensation	2	
3	Total income tax withheld from wages, tips, and sick pay.	3	
4	Adjustment of withheld income tax for preceding months of calendar year	4	
5	Adjusted total of income tax withheld (line 3 as adjusted by line 4)	5	
6a	Taxable social security wages \$ × 12.4% (.124) =	6a	
b	Taxable social security tips \$ × 12.4% (.124) =	6b	
7	Taxable Medicare wages and tips \$ × 2.9% (.029) =	7	
8	Total social security and Medicare taxes (add lines 6a, 6b, and 7)	8	
9	Adjustment of social security and Medicare taxes (see instructions)	9	
10	Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9)	10	
11	Total taxes (add lines 5 and 10)	11	
12	Advance earned income credit (EIC) payments made to employees, if any (see instructions)	12	
13	Net taxes (subtract line 12 from line 11)	13	

14 Record of Federal Tax Liability and Deposits (See instructions on page 4.)					
Tax Liability	Amount Deposited	Tax Liability	Amount Deposited	Tax Liability	Amount Deposited
Overpayment from previous month ▶					
1		12		23	
2		13		24	
3		14		25	
4		15		26	
5		16		27	
6		17		28	
7		18		29	
8		19		30	
9		20		31	
10		21			
11		22			
a	Total tax liability for the month			14a	
b	Total deposits for the month (including overpayment from previous month)			14b	

15 Undeposited taxes due (subtract line 14b from line 14a). See instructions ▶ **15**

16 If line 14b is more than line 14a, enter overpayment here ▶ \$ and check if to be: Applied to next return, or Refunded.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

Signature ▶ Print Your Name and Title ▶ Date ▶

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 11 hr., 43 min.; **Learning about the law or the form**, 12 min.; **Preparing, copying, assembling, and sending the form to the IRS**, 14 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send this tax form to this address. Instead, use the preaddressed envelope furnished to you.

Reminders

Form 945.—Income tax withholding on nonpayroll payments made during 1995 must be reported on **Form 945**, Annual Return of Withheld Federal Income Tax. The return for 1995 is due January 31, 1996. Nonpayroll items include backup withholding and withholding on pensions, annuities, IRAs, Indian gaming profits, and gambling winnings. Get the separate **Instructions for Form 945** for more information.

All income tax withholding reported on Forms 1099 (e.g., Form 1099-R or Form 1099-MISC) or Form W-2G must be reported on Form 945.

As a general rule, all employment taxes and income tax withholding reported on Form W-2 must be reported on Form 941-M or 941. For example, because distributions from nonqualified pension plans and nonqualified deferred compensation plans are treated as wages and are reported on Form W-2, they must be reported on Form 941-M or 941, not on Form 945.

Social Security Wage Base for 1996.—Stop withholding social security tax after an employee reaches **\$62,700** in taxable wages.

Related Publications.—**Circular E**, Employer's Tax Guide, explains the rules for withholding, paying, depositing, and reporting Federal income tax, social security and Medicare taxes, and Federal unemployment (FUTA) tax on wages. See **Pub. 15-A**, Employer's Supplemental Tax Guide, for information on sick pay paid by third-party payers. **Circular A**, Agricultural Employer's Tax Guide, explains rules for employers who have farmworkers. These publications are available free at IRS offices.

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form.—Use this form to report monthly the (1) income tax you withheld from wages, tips, supplemental unemployment compensation benefits, and third-party payments of sick pay; and (2) social security and Medicare taxes. If you report just one kind of tax, fill in only the lines that apply.

Who Must File.—File Form 941-M if you are required to report income taxes withheld, social security taxes, and Medicare taxes on

a monthly basis. The District Director may require monthly returns on this form and payments of tax from any employer who has not complied with the requirements for the filing of returns or the paying or depositing of taxes reported on quarterly returns. You are not required to file monthly returns unless you receive written notification from the District Director or his or her delegate to do so. A preaddressed Form 941-M will be mailed to you before your first monthly return is due and for each month thereafter. If you no longer expect to pay amounts subject to tax reportable on Form 941-M, write "Final Return" at the top of your last return and attach an explanation of the reason you are no longer liable.

When To File.—Form 941-M for any month is due by the 15th day of the following month. If the due date for filing a return falls on a Saturday, Sunday, or legal holiday, you may file the return on the next business day.

Where To File.—File Form 941-M, with any payment due, using the preaddressed envelope furnished to you. Keep the duplicate Form 941-M for your records.

Forms W-4.—You are required to send to the IRS copies of any Forms W-4 received during the month from employees still employed by you at the end of the month claiming (1) more than 10 withholding allowances or (2) exemption from income tax withholding if their wages are expected to exceed \$200 a week. For details, see section 9 of Circular E. Do not send any Forms W-4P or W-4S to the IRS.

Form W-5.—Each eligible employee wishing to receive any advance earned income credit (EIC) payments must give you a completed Form W-5. The employer's requirement to notify certain employees about the EIC can be met by giving each eligible employee **Notice 797**, Possible Federal Tax Refund Due to the Earned Income Credit (EIC). See section 10 of Circular E and **Pub. 596**, Earned Income Credit, for more information.

Form W-2.—Send Copy A of all **Forms W-2**, Wage and Tax Statement, issued for the year with a **Form W-3**, Transmittal of Wage and Tax Statements, to the Social Security Administration (SSA) by the last day of February. If you file a final return on Form 941-M and make final payments before the end of the year, send Copy A of all **Forms W-2** issued to the SSA with Form W-3 at that time. However, this does not extend the due date for filing Form 941-M, which is due by the 15th day of the month following the period for which the return is filed.

By January 31, furnish Forms W-2 to employees who worked for you the previous year. If an employee stops working for you before the end of the year, you may furnish him or her Form W-2 any time after employment ends. However, if the employee asks you for Form W-2, furnish him or her the completed form within 30 days after the request or the final wage payment, whichever is later.

Form W-3.—Form W-3 must be filed by employers and other payers as a transmittal for Copy A of Form W-2. Form W-3 will be mailed to you during the last quarter of the calendar year. If you file a final return before

the end of the year, ask your District Director for Form W-3. Instructions for filing are printed on Form W-3.

Penalties and Interest.—There are penalties for filing a return late and paying or depositing taxes late, unless there is reasonable cause. If you are late, please attach an explanation to your return. There are also penalties for willful failure to file returns and pay taxes when due, furnish Forms W-2 to employees and file copies with the SSA, keep records, deposit taxes when required, and for filing false returns or submitting bad checks. Interest is charged on taxes paid late at the rate set by law. See Circular E for additional information.

Caution: *A trust fund recovery penalty may apply where income, social security, and Medicare taxes that should be withheld are not withheld or are not paid to the IRS. Under this penalty, certain officers or employees of a corporation, employees of a sole proprietorship, or certain members or employees of a partnership become personally liable for payment of the taxes and are penalized an amount equal to the unpaid taxes. This penalty may be applicable when these unpaid taxes cannot be immediately collected from the employer or business. The trust fund recovery penalty may be imposed on all persons who are determined by the IRS to be responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so. Willfully in this case means voluntarily, consciously, and intentionally. Please see section 11 of Circular E for more information concerning who may be liable for the trust fund recovery penalty.*

Specific Instructions

Reconciliation of Forms 941-M and W-3.—Certain amounts reported on the monthly Forms 941-M for the year should agree with the Form W-2 totals reported on Form W-3. The amounts that should agree are social security wages, social security tips, Medicare wages and tips, and the advance earned income credit. If the totals do not agree, the IRS will require you to explain the differences and correct any errors. You can avoid this by making sure that correct amounts are reported on Forms 941-M and W-3. See section 12 of Circular E for more details.

Line 1—(March Only) Number of employees.—Do not include household employees, persons who received no pay during the pay period, pensioners, or members of the Armed Forces. An entry of 250 or more on line 1 indicates a need to file wage reports on magnetic media. You should immediately request Publication TIB-4 from the SSA if not already a magnetic media filer.

Line 2.—Enter the total of all wages paid, tips reported, taxable fringe benefits provided, and other compensation paid to your employees, **even if you do not have to withhold income or social security and Medicare taxes on it.** Do not include supplemental unemployment compensation benefits, even if you withheld income tax on them. Do not include contributions to employee plans that are excluded from the employee's wages (e.g., section 401(k) and 125 plans).

Employer's Monthly Federal Tax Return

OMB No. 1545-0718

Return for (enter month and year) ▶

Type or print in this space your name, address, ZIP code and employer identification number as shown on original.

YOUR COPY

1	For March Only: Number of employees (except household) employed in the pay period that includes March 12th ▶	1	
2	Total wages and tips, plus other employee compensation	2	
3	Total income tax withheld from wages, tips, and sick pay.	3	
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14 Record of Federal Tax Liability and Deposits (See instructions on page 4.)

Tax Liability		Amount Deposited		Tax Liability		Amount Deposited	
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7		18		29			
8		19		30			
9		20		31			
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11		22					
a Total tax liability for the month				14a			
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15 Undeposited taxes due (subtract line 14b from line 14a). See instructions ▶ **15**

16 If line 14b is more than line 14a, enter overpayment here ▶ \$ and check if to be: Applied to next return, or Refunded.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

Signature ▶ Print Your Name and Title ▶ Date ▶

Line 3.—Enter the total income tax you withheld on wages, tips, taxable fringe benefits, sick pay, and supplemental unemployment compensation benefits.

Line 4—Adjustment of withheld income tax.—Use line 4 to correct errors in income tax withheld from wages paid in earlier return periods of the same calendar year or to correct administrative errors. See section 13 of Circular E for more information. Consult your District Director before claiming a credit or adjustment.

Line 5—Adjusted total of income tax withheld.—Add line 4 to line 3 if you are reporting additional withheld income tax for an earlier period in this calendar year. Subtract line 4 from line 3 if you are reducing the amount of withheld income tax reported for an earlier period in this calendar year.

Line 6a—Taxable social security wages.—Enter the total wages subject to social security taxes that you paid your employees during the month. Also include any sick pay and taxable fringe benefits subject to social security taxes. Enter the amount before deductions. Do not include tips on this line. Stop reporting for any employee whose wages (including tips) reach \$62,700 for 1996. See the line 7 instructions below for Medicare tax. However, continue to withhold income tax for the whole year on wages and tips even when the limit of \$62,700 is reached.

Line 6b—Taxable social security tips.—Enter all tips your employees reported during the month until tips and wages for each employee reach \$62,700 in 1996. Do this even if you were not able to withhold the employee tax (6.2%). However, report the uncollected employee's share of social security tax on line 9. Also see section 6 of Circular E.

An employee must report to you cash tips, including tips you paid the employee for charge customers, totaling \$20 or more in a month by the 10th day of the next month. The employee may use **Form 4070**, Employee's Report of Tips to Employer, or give you a written statement.

Do not include allocated tips on this line. Instead, report them on **Form 8027**, Employer's Annual Information Return of Tip Income and Allocated Tips. Allocated tips are not reportable on Form 941-M and are not subject to withholding of income, social security, or Medicare taxes.

Line 7—Taxable Medicare wages and tips.—Use this line to report all wages and tips subject to the Medicare portion of social security. Also include any sick pay and taxable fringe benefits subject to Medicare taxes. If none of the payments are subject to Medicare tax, enter -0-.

Include all tips your employees reported during the month, even if you were not able to withhold the employee tax (1.45%). However, report the uncollected employee's share of Medicare tax on line 9. Also see section 6 of Circular E.

Line 9—Adjustment of social security and Medicare taxes.—Consult your District Director before claiming a credit or adjustment.

Current Period Adjustments.—In certain cases, amounts reported as social security and Medicare taxes on lines 6a, 6b, and 7 must be adjusted to arrive at your correct tax liability. See section 13 of Circular E for information on the following adjustments:

- Adjustment for the uncollected employee share of social security and Medicare taxes on tips.
- Adjustment for the employee share of social security and Medicare taxes on group-term life insurance premiums paid for former employees.
- Adjustment for the employee share of social security and Medicare taxes for sick pay withheld by a third-party payer.
- Fractions of cents adjustment.

Prior Period Adjustments.—Use line 9 to correct errors in social security and Medicare taxes reported on an earlier return. If you report both an underpayment and an overpayment, show only the difference. Explain any prior period adjustments on **Form 941c**, Supporting Statement To Correct Information.

Line 10—Adjusted total of social security and Medicare taxes.—Add line 9 to line 8 if the net adjustment on line 9 is positive (e.g., you are reporting additional taxes for an earlier period). Subtract line 9 from line 8 if the net adjustment on line 9 is negative.

Line 12—Advance earned income credit (EIC) payments made to employees.—Enter advance EIC payments made to employees, if any. Your eligible employees may elect to receive part of the EIC as an advance payment. Eligible employees who have a qualifying child must give you a completed Form W-5 stating that they qualify for the EIC. Once the employee gives you a signed and completed Form W-5, you must make the advance EIC payments. The advance EIC payments made to eligible employees are generally made from withheld income tax and employee and employer social security and Medicare taxes. See section 10 of Circular E; and Pub. 596 for more information on advance EIC payments and eligibility requirements.

If the amount of your advance EIC payments exceeds your total taxes (line 11) for the month, you may claim a refund of the overpayment or elect to have the credit applied to your return for the following month. Provide a statement with your return identifying the amount of excess payment(s) and the pay period(s) in which it was paid. See section 10 of Circular E for more details.

Special Deposit Account.—Do not use **Form 8109**, Federal Tax Deposit Coupon, and do not complete the Record of Federal Tax Liability and Deposits if you are required to have a special deposit account under section 7512(b). If you have received, by hand delivery, **Form 2481**, Notice To Make Special Deposits of Taxes, you are required to deposit in a separate bank account any taxes collected or required by law to be collected. Your deposit must be made not later than the end of the second banking day after any taxes were required to be collected from your employees. The taxes deposited must be

kept in the account until paid to the IRS with any employer tax that may be due. The account must be designated as a special fund in trust for the United States, payable to the IRS by you as trustee. For the definition of the term "bank," please see Form 2481.

Federal Tax Deposits.—If you are not required to have a special deposit account, then, in general, you must deposit withheld income tax and both the employer and employee social security and Medicare taxes with an authorized financial institution or a Federal Reserve bank or branch that serves your area. Use Form 8109, which must be included with each deposit, to indicate the type of tax being deposited. To avoid a possible penalty, do not mail your deposit directly to the IRS. Records of your deposits will be sent to the IRS for crediting to your business accounts. See section 11 of Circular E for information and rules concerning Federal tax deposits.

The IRS will keep track of the number of coupons you use and will automatically send you additional coupons when you need them. If you do not have a coupon book, request one by calling 1-800-829-1040. See the instructions in the coupon book for additional information.

If you hand-deliver your deposit to an authorized depository on the due date, be aware that deposits made after the close of business will be posted as deposited on the following day.

Line 14—Record of Federal Tax Liability and Deposits.—If you have to deposit taxes using the Federal Tax Deposit System, complete both columns of the record. In the tax liability column, include income tax withheld plus both the employer and employee shares of social security and Medicare taxes minus advance EIC payments (if any) for each day. Enter each tax liability in the numbered entry space corresponding to the date of payment (payday). Enter each deposit amount in the numbered entry space corresponding to the date of deposit.

Line 14a—Total tax liability for the month.—The amount on this line must equal net taxes (line 13). Otherwise, you may be charged a penalty based on your average tax liability for failure to make deposits of taxes.

Line 15—Undeposited taxes due.—If line 13 is \$500 or more and you have deposited all taxes when due, the amount shown on line 15 should be zero. (However, see section 11 of Circular E regarding payments made under the Accuracy of Deposits rule.) **Caution:** *If you fail to make required deposits at an authorized depository and instead pay these amounts with your return, you may be subject to a penalty.*

Line 16—Overpayment.—If you deposited more than the correct amount for a month, you can have the overpayment refunded or applied to your next return. Show any amount applied in the Record of Federal Tax Liability and Deposits on your next return.

Signature.—Be sure to sign the return, print your name and title, and enter the date.

